1992

Annual Report

BC hydro

93-00659

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THE BUSINESS OF B.C. HYDRO

British Columbia Hydro and Power Authority is a provincial Crown corporation.

The third largest electric utility in Canada, B.C. Hydro serves more than 1.3 million customers in an area containing over 92 per cent of British Columbia's population. Between 43 000 and 50 000 gigawatt-hours of electricity are generated annually, depending upon prevailing water levels, with more than 70 per cent produced by major hydroelectric generating stations on the Columbia and Peace rivers. Electricity is delivered to customers through an interconnected system of over 68 000 kilometres of transmission and distribution lines.

B.C. Hydro's Board of Directors is appointed by the Lieutenant Governor in Council and is responsible for the overall management of the company.

CORPORATE MISSION

B.C. Hydro's corporate mission is to support the development of British Columbia through the efficient supply of electricity.

LETTER FROM THE CHAIRMAN

A review of 1991-92 would not be complete without noting the 30th anniversary of the creation of B.C. Hydro, through the merger in 1962 of several public and private utilities. The corporation's original mandate was to assist British Columbia's future economic growth by developing the relatively untapped major hydroelectric resources of the province to provide an efficient, reliable and competitively priced source of electricity.

British Columbians, and Hydro employees especially, can be justly proud of Hydro's performance in carrying out this mandate. Over its relatively short lifetime, the company has developed a major part of the Columbia and Peace river systems and now has a total capacity of over 10 000 megawatts (MW) made up of 30 hydroelectric, one thermal, 13 diesel and two gas turbine generating facilities. The hydroelectric developments include some of the largest and best-designed dams and power plants in the world.

Just as people experience their most vigorous growth in the first 20 years of life, so did Hydro. But over the past decade, again just as our own priorities change with the responsibilities of young adulthood, the company has become increasingly focused upon its core responsibility of efficiently supplying electricity to support the province's economic growth, and increasingly concerned about the legacy it will leave for future generations. Thus today's Hydro strives to be the best corporate citizen it can be, particularly with respect to the effects of its activities and operations on the natural and social environment.

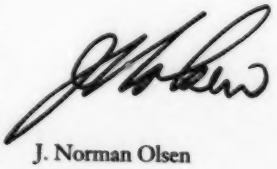
So it is fitting this year that we are publishing our first environmental annual report, which looks back to our formative years and on to the present, discussing how we are doing with respect to the standards and goals that have been set for us in this area. The environmental report will enable us to provide much more detail on this critical responsibility than is possible in the limited confines of a traditional annual report.

As for the year's financial results, senior management has impressed upon us that despite the favorable figures there are sources of concern. Hydro has been fortunate in the existence of external conditions which enabled management to reduce finance charges considerably and to achieve a notable performance in electricity exports, but these conditions are influenced by factors outside Hydro's control and can not be relied upon to repeat. In other words, our net income is at least partly due to external circumstances as well as good management.

One troublesome area is the lack of progress in increasing public awareness of the need for rates to reflect all the costs of generating and transmitting electricity. The British Columbia Utilities Commission has decided that rates based on declining block structures are inappropriate and that a movement towards a flat structure should begin with the next rate increase.

On a more positive note, our initiatives with respect both to conservation and environmental protection have advanced considerably during the year just past. We are committed to increasing our efforts in these areas in future years as B.C. Hydro continues to mature.

I am very much aware that the achievements the company has made and the progress it continues to make are directly attributable to Hydro's skilled and dedicated work force. I would like to take this opportunity to extend, on behalf of all the Directors, our strong commendation and gratitude for the efforts of all our employees.



J. Norman Olsen

Chairman and
Chief Executive Officer

for the years ended or as at March 31

(dollar amounts in millions)

Financial Performance	**1992**	**% Change**	1991	% Change	1990	% Change
Domestic revenues	**$1,902**	**4.9**	$1,814	6.3	$1,706	2.8
Electricity trade revenues	**170**	**78.9**	95	(17.4)	115	5.5
	$2,072	**8.5**	$1,909	4.8	$1,821	2.9
Income:						
Domestic	**$ 313**		$166		$55	
Electricity trade	**88**		41		41	
Other	**(181)**				64	
Net income	**$ 220**	**6.3**	$ 207	29.4	$ 160	86.0
Debt-equity ratio	**75:25**		79:21		80:20	
Interest coverage (after rate stabilization)	**1.30**		1.26		1.20	

Unit Performance per Sales Volume
(cents per kilowatt-hour)

Domestic			
Revenues	**4.69¢**	4.48¢	4.37¢
Unit costs:			
Cost of energy	**0.58**	0.60	0.59
Operations, maintenance and administration	**0.92**	0.84	0.90
Taxes	**0.27**	0.24	0.26
Depreciation and amortization	**0.63**	0.57	0.52
Finance charges	**1.52**	1.82	1.97
Total costs	**3.92**	4.07	4.24
Operating income	**0.77¢**	0.41¢	0.13¢
Electricity Trade			
Revenues	**2.44¢**	2.73¢	3.10¢
Unit cost of energy	**1.18**	1.55	2.00
Operating income	**1.26¢**	1.18¢	1.10¢

Unit Performance per Regular Employee

Average number of customers	**266**	258	265
Electricity sold	**9 661** MWh	8 878 MWh	9 081 MWh
Revenues	**$421,100**	$385,300	$386,900
Operations, maintenance and administration (excluding special maintenance)	**$ 72,600**	$68,400	$74,400

Among key initiatives featured in last year's Annual Report and Corporate Business Plan were:

- a corporate environmental audit program;
- a balanced development strategy for future electricity supply;
- an appropriate rate strategy for the future;
- a strategic plan for maintenance of the electric system, and
- a human resource strategy to build the company's future workforce.

Progress in these areas and other noteworthy developments related to Hydro's corporate objectives are measured by comparing actual achievements to key performance indicators. Additional performance indicators focus on critical activities in which the company is seeking change. Where peformance is compared with Plan in this report, Plan means the planned, or expected, level of performance as opposed to the high "excellent" or low "minimally acceptable" standard.

CARING FOR THE ENVIRONMENT

During the year, the Board of Directors formed an environmental committee of Board members to focus exclusively on all aspects of Hydro's interaction with the environment.

A further formalizing of this corporate commitment was the Board's adoption of a resolution stating that "in carrying out its business, B.C. Hydro will minimize adverse effects on the natural and social environment and actively pursue opportunities to manage our resources for the benefit of present and future generations."

A set of eight principles was developed to provide the basis for day-to-day implementation of the resolution, and the annual environmental performance report was initiated.

ENVIRONMENTAL AUDITS

A corporate environmental audit unit has been created to evaluate environmental management performance against internal policies and procedures, external regulatory requirements and sound management principles. By March 31, 1992, three environmental audits had been completed:

- a review of the handling and storage of polychlorinated biphenyls (PCBs);
- an evaluation of environmental protection measures for the Alouette Dam spillway rehabilitation project, and
- recommendations for a management system for oil spill containment.

ENVIRONMENTAL INTEGRITY

Hydro began conducting integrity reviews at power generating plants and other locations to identify environmental risks and liabilities relative to regulatory requirements and to find opportunities to improve environmental security. By March 31, 1992, such reviews had been completed at eight generating plants and one electrical shop.

CONTINUING PROGRAMS

Hydro is currently carrying out more than 50 environmental programs and initiatives for the protection and management of the environment. These include programs for fish, wildlife, water resources, vegetation, waste, air quality, land and social resources, as well as measures to increase environmental awareness among the company's employees and the public.

Achievements during the year included:

- recycling of 210 tonnes of waste paper and $1.28 million worth of scrap metal;
- initiation of a comprehensive waste management program;
- decontamination of 713 500 litres of PCB-contaminated oil, and
- reduction of fleet vehicle exhaust emissions to 57 per cent of 1989 levels.

Nitrogen oxide (NOx) emissions from the Burrard Thermal Generating Station were limited to 73.5 parts per million and remain well below permitted levels.

Hydro is committed to continued improvement and issued a contract during the year to assess options for boiler modifications to further reduce NOx emissions.

The company also began a comprehensive review to examine the full range of options for the Burrard plant, from shutdown to continuous, maximum-capacity operation. The study will include evaluation of the environmental, social and economic impacts of the various options.

CONSULTATION

To ensure that the company's plans and operations are compatible with its social environment, B.C. Hydro carries out an extensive program of consultation with its various "publics" or "stakeholders." These include customers, various levels of government, the business community, native communities, other interest groups, employees and the public as a whole.

Hydro continues to involve regional and municipal governments in planning and evaluating ways to meet future electricity needs in their jurisdictions. In November 1991 Hydro joined the University of B.C. in sponsoring a symposium on "Shaping British Columbia's Future: Shared Decision-Making and Scarce Resources," which was attended by more than 50 key decision-makers representing 15 diverse groups including governments, industry and commerce, labor, health and social service agencies, and educators, as well as environmental, public interest, women's, native, multicultural and artists' organizations.

ABORIGINAL AFFAIRS

A Native Affairs Committee of the Board of Directors was created during the year to ensure that Hydro is proactive in consulting with the province's aboriginal people in all aspects of its operations, and in attempting to resolve native issues which may affect any aspect of its operations.

The aboriginal affairs program included a number of cross-cultural workshops involving native people and Hydro employees as well as ongoing discussions and negotiations on matters including employment, training, energy education and the consultative process.

BALANCING SUPPLY AND DEMAND OPTIONS

B.C. Hydro's resource development strategy endeavors to balance integrated options which affect both supply and demand and minimize environmental and financial impacts. The mix is designed to adapt readily to changing economic, political, technological and social developments.

The pool of options includes:

- utilizing new resources including coordination with and purchases from other utilities and private-sector generation;
- designing rates to recognize the higher cost of new electricity supply and encourage conservation;
- managing strategic energy conservation through initiatives such as Power Smart programs, and
- maximizing the capability and effectiveness of the existing electric system.

RATE DESIGN

A public hearing by the British Columbia Utilities Commission into B.C. Hydro's application to restructure electricity rates was concluded in February 1992. The application sought to level out rates gradually for residential and general customers. Hydro proposed a choice of rates for industrial customers varying with their requirements in terms of quality and reliability of service, source of supply, and price.

The proposals in the application were designed in keeping with provincial legislation and government direction requiring that Hydro's rates:

- contribute to conservation and the efficient use of electricity;
- recognize the higher cost of new electricity supply;
- provide for smooth and stable increases, and
- otherwise be fair, just and reasonable.

On April 24, 1992, the Commission handed down its decision on the application. The decision supports the basic direction requested in the application; that is, to move to flat rates for residential and commercial customers. It also supports Hydro's position that changes to rate structure should be made in concert with future applications for revenue requirements.

STRATEGIC CONSERVATION

B.C. Hydro's activities include a number of strategic conservation initiatives designed to increase the efficient use of electricity. This allows the company to defer more costly options such as new hydroelectric projects.

Power Smart is a portfolio of Hydro programs which encourage efficient use of electricity. Customers are made aware of the programs, which are designed to meet specific requirements of the various residential, commercial and industrial market segments, through personal contact, education, advertising and promotion.

Hydro also is investigating ways to encourage customers to shift electric load from times when demand is heavy to when it is light. One example of such load shaping, for instance, might be to give large industrial customers incentives to reduce their use of electricity during peak load times. The first step in identifying potential load shaping opportunities, a monitoring program to provide information about load characteristics by customer class and region, began during the year.

Public awareness of Power Smart increased to 95 per cent of British Columbians during the year as Hydro continued participating in events such as home shows and industry conferences and announced it will be a major sponsor of the 1994 Commonwealth Games in Victoria. By March 31, 1992, Power Smart had achieved annual savings of 724 gigawatt-hours, enough to meet the electrical needs of about 72 400 homes. These savings more than doubled during fiscal 1992 and were well above Plan.

In cooperation with representatives of 33 other organizations including customer, government and interest groups, Hydro took part in the formation in July 1991 of a collaborative committee to assess the magnitude of electricity conservation as a potential resource in British Columbia. The committee will oversee a study of the maximum technological and economic potential for electricity conservation in the province. The study will then be reviewed in relation to public acceptance factors to determine the achievable potential. The review is scheduled for completion by the end of fiscal 1993.

RESOURCE SMART

Resource Smart programs aim to increase the energy available from existing B.C. Hydro generation, transmission and distribution facilities. Enhancing existing facilities is less costly and has less environmental impact than building new ones. Much work during the year consisted of studies for future expansion or redevelopment of hydroelectric sites, as well as preliminary evaluation of the long-term options for the natural gas-fired Burrard Thermal Generating Station. Several hydroelectric plants were retrofitted or rehabilitated, bringing the total energy realized through Resource Smart programs by the end of fiscal 1992 to 856 gigawatt-hours per year, equivalent to the annual electricity consumption of more than 85 000 homes.

NON-UTILITY GENERATION

B.C. Hydro has facilitated private-sector involvement in electricity generation through its Independent Power Producers (IPPs) and Self-Generation Load Displacement initiatives.

Hydro has signed electricity purchase agreements with three IPPs for supply of power to load centres not connected to the integrated electric system. All three projects are in service and will provide between 105 and 160 gigawatt-hours of electricity a year. Hydro has also executed contracts for three large (over 5 megawatts) and seven small (under 5 megawatts) independent power proposals which by 1998 are expected to be supplying a total of 2500 gigawatt-hours of electricity a year to the integrated system. The costs of new generation are expected to increase significantly in the mid- to late 1990s when the first two of the large projects begin operation.

Self-Generation Load Displacement is the production of electricity by industrial customers for their own use, making the B.C. Hydro power they previously consumed available for use by others. In some cases self-generation can produce enough electricity not only to meet the customer's own needs, but also to sell surplus energy to Hydro. A number of Hydro's major industrial customers already are meeting some of their energy requirements through self-generation, mostly

in the forest industry where about 3500 gigawatt-hours of electricity are generated annually. Hydro expects further gains in self-generation will be realized by fiscal 1998 through projects currently under negotiation or evaluation.

COORDINATION

Electric utilities can make more efficient use of their resources by coordinating the operation of their respective systems.

An agreement between B.C. Hydro and the Bonneville Power Administration (BPA) in the United States provides for storage and water releases in addition to Columbia River Treaty requirements. This gives Hydro the flexibility to increase generation at times of high demand and reduce it when demand is low, a benefit with an estimated value to Hydro of more than $100 million over the 1991-2003 term of the agreement.

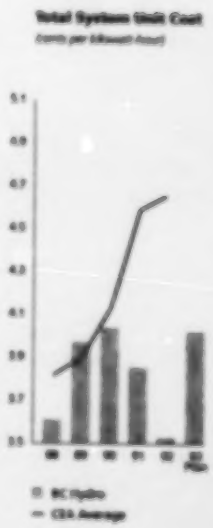
In October 1991, B.C. Hydro and TransAlta Utilities signed Principles of Agreement which cover coordinated operations, sharing of planning reserves, emergency assistance and coordinated long-range planning. Substantial benefits are expected as a result of this agreement, especially in terms of reduced operating costs and increased opportunities for electricity trade.

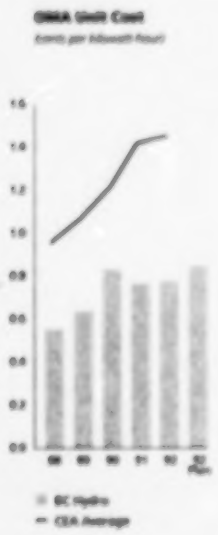
MANAGING FOR CORPORATE EFFICIENCY

B.C. Hydro's goal of becoming the most efficient utility in North America involves improving productivity by managing risks and costs.

SYSTEM UNIT COST

System unit cost is an indicator of overall corporate efficiency. It is determined by dividing the total volume of electricity sold into the sum of expenditures on energy costs, operations, maintenance and administration (OMA), and asset-related expenses such as taxes, depreciation and finance costs. For fiscal 1992 Hydro's cost per unit of electricity was 3.52 cents per kilowatt-hour, lowest in the past five years, lower than Plan and well below the average for Canadian utilities.





OMA UNIT COST

A more specific indicator of corporate efficiency is OMA unit cost, which is calculated by dividing the OMA component of total system cost by total energy sold. Hydro's OMA unit cost in fiscal 1992 was .78 cents per kilowatt-hour, .01 cents higher than in the previous year but below Plan. The increase was attributable to strong customer growth. Even so, Hydro's OMA results remain significantly below the Canadian Electrical Association (CEA) average of 1.46 cents per kilowatt-hour.

SUPPLIER DEVELOPMENT

Hydro's supplier development program pursues opportunities to promote investment and job creation opportunities in British Columbia through the company's purchasing power. Total added B.C. business attributable to this program during fiscal 1992 was $1.8 million. The unit also arranged a number of purchasing partnerships with suppliers through which Hydro will realize reduced prices, improved product quality and faster delivery of high-volume, high-value items.

SUBSIDIARIES

Westech Information Systems Inc., one of two subsidiaries created in 1989 from B.C. Hydro's computer and management systems group, was sold in September 1991 for $8.4 million to a company owned by Westech employees.

Subsidiary companies have been formed to manage property development of each of two major office projects Hydro has under way in the Lower Mainland. The new projects, an office and warehouse complex in Burnaby and an office building in downtown Vancouver, neared completion. Staff, previously located in a number of leased premises, began moving into the new projects during fiscal 1992. The new premises, designed to enhance customer service, efficient operation and employee morale, are being funded by the 1989 sale of the former head office building in downtown Vancouver and the disposal of various other parcels of surplus property.

Other subsidiaries include Power Smart Inc., which markets the Power Smart electrical energy efficiency program nationally and internationally; the British Columbia Power Exchange Corporation, responsible for electricity trade; Powertech Labs Inc., which operates a high-voltage laboratory and does much of Hydro's research and development; Western Integrated Technologies Inc., Hydro's remaining computer subsidiary, and B.C. Hydro International Ltd., which markets Hydro's technical expertise and internally-developed products to domestic and world markets.

Reviews are under way of Hydro's relationships with the various subsidiaries to ensure full control of their activities and maximum efficiency in their operations.

In July 1991 B.C. Hydro entered into a 50-50 joint venture partnership with Asea Brown Boveri (ABB) to form PowerServ Pacific Inc., an organization which is expected to enhance employment creation, economic development and the development of new technologies in B.C. by marketing leading-edge electrical apparatus repair services to utilities and industry in Western Canada and the United States Pacific Northwest.

IMPROVING CUSTOMER SERVICE

The mission of B.C. Hydro's customer services group is "to add to the quality of life and productivity of the company's customers by 'keeping the lights on,' all in a friendly, responsive way."

STRATEGIC MAINTENANCE

Strategic maintenance plans have been implemented to ensure a high level of electric system reliability, improve service to Hydro's customers and clear up a backlog of maintenance. The backlog resulted from load growth combined with the aging of B.C. Hydro's electric system, the deferral of preventive maintenance during the economic restraint period of the 1980s and the early retirement of many experienced employees during the 1988 retirement incentive program. Comprehensive

programs to maintain and improve the generation, transmission, transformation (substations) and distribution systems were initiated, with $94 million to be spent in fiscal 1993 through fiscal 1995 in addition to regular annual maintenance expenditures.

SYSTEM RELIABILITY

Reliability of Hydro's distribution system improved slightly over the previous year. The average number of hours an interrupted customer is without power was reduced to 2.45 hours from 2.78 in fiscal 1991. The number of power outages per customer per year was reduced to 1.07 from 1.62. Figures for the previous year reflect severe storm conditions.

RESPONSIVENESS TO CUSTOMERS

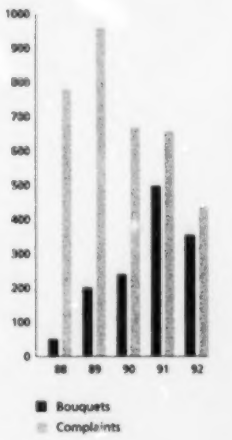
Hydro responded to 88.7 per cent of customer service emergency trouble calls (where public safety is at risk) within one hour and to 89.0 per cent of urgent trouble calls (where public safety is not at risk) within two hours during fiscal 1992, compared with 88.8 and 87.9 per cent respectively the previous year.

Response to telephone enquiries was made within 60 seconds in 86.3 per cent of calls received. More than 1.5 million calls were answered in fiscal 1992.

For new service connections, 84.75 per cent of new service inspections were completed within five days and 89.19 per cent of new installations were completed within ten days.

Hydro received 440 telephoned or written complaints in fiscal 1992, compared with 655 the previous year. During 1992 a total of 354 bouquet letters was received.

Bouquets and Complaints



PUBLIC SAFETY

B.C. Hydro carries out a vigorous public education program to promote public safety around electric power facilities. The number of accidents involving electrical contact with or around the company's facilities by members of the public in fiscal 1992 was 152, a decline of 22 per cent from the year before.

During the year Hydro produced a rock video about industrial safety, designed for high school students about to enter the work force. The video, "ElectroJuice," has been honored at a number of competitions, including the National Educational Film Video Festival in Oakland, the International Television Canada Video Festival in Toronto, and the International Television Association conference in Seattle. The video has been placed on the Ministry of Education's recommended resource list and distributed to all secondary schools in B.C. It will also be marketed outside the province.

BUILDING TEAM 2000

Building Team 2000 is B.C. Hydro's long-term human resource strategy to ensure it has a flexible, motivated workforce with the highly-developed skills that will be needed to operate a customer service-oriented, market-driven utility in the next century. It has three main thrusts: Balancing the Workforce, Strengthening the Team and Building the Culture.

BALANCING THE WORKFORCE

Hydro is implementing strategies to transfer the skills and knowledge of an aging workforce effectively to the next generation and attain a balanced age distribution. To meet the challenge of a general shortage of skilled people from traditional sources of labor supply, the company operates apprenticeship and training programs. A Human Resources Committee of the Board of Directors has been formed which will, among other initatives, support the company's employment equity policy. The policy is designed to provide equal opportunities for all segments of the population, including women, First Nations people, visible minorities and people with disabilities.

Hydro also works with governments, other employers, students and teachers through its Involvement in Education Program to encourage students to develop the skills, knowledge and attitudes needed for future employment.

STRENGTHENING THE TEAM

Hydro continued efforts to increase productivity through people, management skills, restructuring and technology, and to develop business acumen among staff and enhance the transfer of technical skills. Activities include employee on-the-job training to increase skills and increase adaptability and job rotations to develop new skills, motivation and mobility.

Since 1990, the company has been introducing empowered work teams to improve customer service, job satisfaction and productivity. By the end of fiscal 1992, 2366 or 53 per cent of regular employees had voluntarily participated in empowered work team workshops. As participation increases the emphasis is shifting from learning the concepts and starting up teams to training managers and team members in specific work team skills.

BUILDING THE CULTURE

Hydro addresses the well-being of its employees by ensuring safety and emergency preparedness on the job and by encouraging a healthy and safe lifestyle. Education and information programs are designed to help employees strengthen their commitment to protection of the natural environment.

During fiscal 1992 accident frequency was reduced to 6.38 time-loss accidents per million hours worked, well below the Canadian Electrical Association average for similar utilities. The company also operates a lifestyles program to promote physical and mental fitness among employees. The commitment and health-consciousness of employees is reflected in a steady decline in the use of sick leave over the past six years. For fiscal 1992 the average number of absences per employee was 1.56 and the average number of sick days taken per employee was 3.22. Both indicators are well below the provincial average for both private and public sector employees.

	1992	1991
Net income *	**$220**	$207
Total electric revenues *	**$1,849**	$1,784
Total domestic customers	**1,324,232**	1,289,567
Domestic customer growth	**2.69%**	1.98%
Capital and deferred expenditures*	**$607**	$419
Long-term debt *	**$6,886**	$6,858
Interest coverage	**1.30**	1.26

* *dollars in millions*

RESULTS OF OPERATIONS

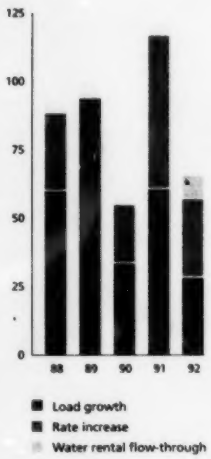
B.C. Hydro's net income for fiscal 1992 was $220 million, compared to net income of $207 million in fiscal 1991. Hydro's operating income of $401 million in fiscal 1992 was $194 million more than fiscal 1991 due primarily to a $122 million decline in finance charges and a $47 million increase in electricity trade income. An order of the British Columbia Utilities Commission requires that the excess of operating income over that needed to achieve an interest coverage ratio of 1.30:1 be transferred to a rate stabilization account. Consequently in fiscal 1992, $181 million was transferred from operating income to the rate stabilization account; no transfer was made in fiscal 1991.

REVENUES

Total electric revenues increased to $1,849 million, up $65 million or 3.6 per cent compared to the previous year. A portion of the increase in revenues was due to a general rate increase of 1.5 per cent effective April 1, 1991 which contributed $28 million, and a water rental rate increase which added $9 million.

Fiscal 1992 was only the third year in B.C. Hydro's 30-year history in which gigawatt-hours (GW·h) sold did not increase significantly; the other years were 1976 and 1983. The primary cause was a reduction in sales to transmission customers of 610 GW·h due to the slow-down in the pulp and paper and mining industries. Sales volume increases in the residential and general classes contributed an additional 725 GW·h in 1992 compared to 1991.

Changes in Electric Revenues
in millions of dollars



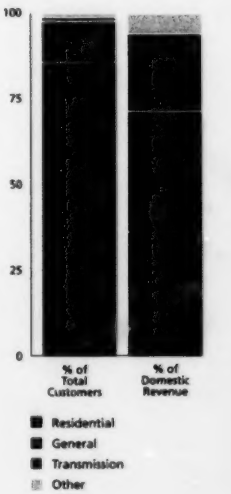
RESIDENTIAL REVENUES

Total residential revenue for the year was $677 million, an increase of $35 million over the previous year. Over 27 000 new customers, or 2.4 per cent, were added to the system during the year, contributing $15 million to revenues. Rate increases totalling 1.9 per cent added another $14 million to revenues.

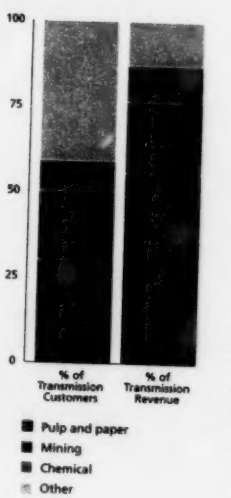
GENERAL REVENUES

General customers fall into two categories: customers who consume power at a capacity of 35 kilowatts or less, and customers who consume power at a capacity of over 35 kilowatts. General revenues totalled $667 million, an increase of $30 million compared to the previous year. Between the two categories, a total of 7626 new customers or 5.1 per cent were added during the year. However, the average consumption per customer continued to decline this year, partly due to the success of Power Smart programs. Overall, GW·h sold increased by 2.6 per cent and provided $15 million in revenues over the previous year. Rate increases provided an additional $13 million in revenues.

Number of Customers and Revenue Contribution



Transmission Customers and Revenue Contribution



TRANSMISSION REVENUES

Large industrial customers, who are bulk users of power, receive electricity directly from high-voltage transmission lines, providing their own transformation (substation) facilities. There are only 87 large industrial accounts but they provide $445 million, or 23.4 per cent, of total domestic revenue. A decline in sales to the pulp and paper industry and shutdowns in the mining sector reduced the demand for electricity and decreased revenue by $11 million compared to the previous year. The total GW·h sold to transmission customers decreased by 4.1 per cent from fiscal 1991. Offsetting this decline were rate increases which contributed $8 million in revenues.

OTHER REVENUES

The increase in other revenue of $26 million was due to: gains on property sales of $11 million compared to $6 million in 1991; increased storage fees of $6 million; and additional proceeds of $14 million from the 1989 sale of the Victoria Gas Service which were conditional on the delivery of natural gas to Victoria, B.C.

TOTAL OPERATING COSTS

Total operating costs of $1,589 million in fiscal 1992 decreased $59 million from the previous year. Excluding finance charges and a special maintenance program, other operating costs increased by 5.2 per cent over fiscal 1991. This increase was required to maintain system performance in the midst of strong growth in the number of customers.

COST OF ENERGY

Cost of energy decreased $7 million to $235 million in fiscal 1992 due to higher usage of lower cost hydro-generation compared to greater use of gas and purchased electricity in the previous year.

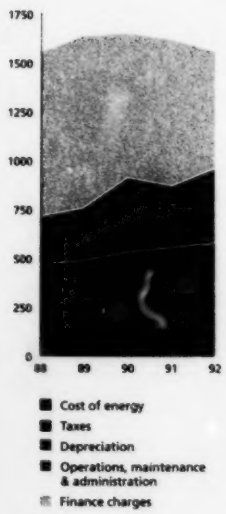
Distribution of a Revenue Dollar, 1992

EXPENSES

Operations, maintenance and administration expenses increased $18 million in fiscal 1992 over the previous year to $357 million, reflecting strong customer growth and labor rate increases. Also in fiscal 1992, $16 million was spent over and above regular maintenance on rehabilitation programs to update aging equipment and facilities.

Depreciation and amortization expenses increased by $27 million compared to the previous year. Additional capital spending in recent years to meet customer growth, as well as an increase of $7 million for the amortization of Power Smart programs, resulted in an 11.8 per cent increase.

Key Expenses
in millions of dollars



FINANCE CHARGES

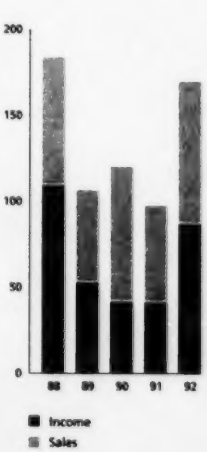
Finance charges declined by $122 million in fiscal 1992, or 16.5 per cent, compared to the previous year. Most of this decrease was due to non-recurring gains in 1992 that reduced finance charges by $90 million. Gains on sinking fund investments and early retirement of debt reduced finance charges by $59 million and $31 million, respectively. The balance of the decline in finance charges was mainly due to lower interest rates in fiscal 1992 compared to fiscal 1991.

RESULTS OF ELECTRICITY TRADE

B.C. Hydro operates within an interconnected system which includes Alberta and the western United States. This system allows Hydro to sell and exchange electricity not required by its domestic customers.

Electricity trade income of $88 million was $47 million higher than the previous year mainly due to a 78.9 per cent increase in electricity trade revenues. The GW·h sold to utilities in the United States exceeded the previous year due to Hydro's competitive pricing as well as lengthy generating plant shutdowns and the need to spill water to meet increased fish flow requirements in the U.S.

Electricity Trade
in millions of dollars



CAPITAL AND DEFERRED EXPENDITURES

Capital expenditures increased by $177 million in fiscal 1992 to $550 million. The increase over fiscal 1991 was largely the result of higher spending on generation, transmission and transformation plant of $62 million and the construction of the corporate offices of $97 million. The balance of the increase in capital expenditures was mainly for new customer service facilities throughout the province.

During the year $50 million, or $4 million more than fiscal 1991, was spent on 27 Power Smart programs which promote cost-effective initiatives that motivate customers to be more energy-efficient and reduce their electricity consumption. Assisting consumers in conserving electricity helps reduce load demand and postpone the construction of more expensive generating facilities.

LONG-TERM DEBT

As at March 31, 1992 long-term debt was $6,886 million, compared to the balance as at March 31, 1991 of $6,858 million. During fiscal 1992, a total of $1,165 million of long-term debt was issued. These funds were used to reduce revolving borrowings by $733 million during 1992 and to retire bonds, notes and debentures. These transactions contributed to a reduction in B.C. Hydro's average cost of borrowing from 11.4 per cent in fiscal 1991 to 10.8 per cent in fiscal 1992.

DISTRIBUTIONS TO THE PROVINCE

According to an Order of the Lieutenant Governor in Council dated June 25, 1992, there shall not be any payment to the Province for the fiscal year ended March 31, 1992 in order to allow B.C. Hydro sufficient retained earnings to redeem in full by July 31, 1992 the preferred funding provided by the Government.

REGULATION AND FINANCIAL RATIOS

B.C. Hydro's operations, including electricity rates, are regulated by the British Columbia Utilities Commission (BCUC). In 1989, by an Order of the Lieutenant Governor in Council, BCUC was directed to consider certain financial standards in determining electricity rates: debt to equity ratio and interest coverage ratio.

DEBT TO EQUITY RATIO

The debt to equity ratio is a measure used to evaluate capital structure. Hydro has achieved the required debt to equity ratio of 80:20 for the last four years.

INTEREST COVERAGE RATIO

The interest coverage ratio is an indicator of financial strength and ability to meet interest payments out of operating income. B.C. Hydro's 1992 interest coverage ratio before transfers to the rate stabilization account was 1.58:1, above the required minimum ratio of 1.30:1.

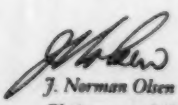
TRANSFERS TO THE RATE STABILIZATION ACCOUNT

In 1990, BCUC directed B.C. Hydro to establish a rate stabilization account whereby income in excess of an interest coverage ratio of 1.30:1 would be deferred to future years. The purpose of the rate stabilization account is to assist in the setting of smooth, stable and predictable rates while also ensuring that Hydro is able to maintain its minimum financial standards. In fiscal 1992, B.C. Hydro's interest coverage ratio before transfers to the rate stabilization account was 1.58:1 which resulted in a transfer of $181 million from operating income to the rate stabilization account, reducing the ratio to 1.30:1.

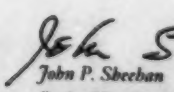
MANAGEMENT REPORT

The financial statements of B.C. Hydro have been prepared by management in accordance with accounting principles generally accepted in Canada, consistently applied and appropriate in the circumstances. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in the notes to the financial statements. The financial statements have also been reviewed by the Audit Committee and approved by the Board of Directors. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

Management depends upon a system of internal controls in order to provide reasonable assurance, on a cost-effective basis, that financial information is reliable and accurate. This system includes formal written policies and procedures, the careful selection and training of qualified personnel, and an organizational structure that provides for the appropriate delegation of authority and segregation of responsibilities. This system is monitored through the performance of a comprehensive internal audit program. Our external auditors also independently perform such tests of the system of internal controls as they consider necessary for the purpose of expressing their opinion on the financial statements. The Audit Committee, which is comprised of directors who are not employees, meets regularly with representatives of the external auditors, the internal auditors and management in order to satisfy themselves that B.C. Hydro's system of internal controls is functioning properly.



J. Norman Olsen
Chairman and Chief Executive Officer



John P. Sheehan
Senior Vice-President and Chief Financial Officer

REPORT OF THE AUDITORS

The Lieutenant Governor in Council, Province of British Columbia:

We have audited the consolidated balance sheets of British Columbia Hydro and Power Authority as at March 31, 1992 and 1991 and the consolidated statements of operations, retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of British Columbia Hydro and Power Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of British Columbia Hydro and Power Authority as at March 31, 1992 and 1991 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants
Vancouver, British Columbia
April 27, 1992
(except as to Note 12 which is as of June 25, 1992)

CONSOLIDATED STATEMENTS OF OPERATIONS

for the years ended March 31 (in millions)

	1992			1991		
	DOMESTIC	ELECTRICITY TRADE	TOTAL	DOMESTIC	ELECTRICITY TRADE	TOTAL
Revenues (note 2)						
Residential	$ 677	$ —	$ 677	$ 642	$ —	$ 642
General	667	—	667	637	—	637
Transmission	445	—	445	448	—	448
Other	113	170	283	87	95	182
	1,902	170	2,072	1,814	95	1,909
Cost of energy (note 3)	235	82	317	242	54	296
Gross Margin	1,667	88	1,755	1,572	41	1,613
Expenses						
Operations, maintenance and administration	373	—	373	339	—	339
Taxes	108	—	108	99	—	99
Depreciation and amortization (note 4)	256	—	256	229	—	229
	737	—	737	667	—	667
Income Before Finance Charges	930	88	1,018	905	41	946
Finance charges (note 5)	617	—	617	739	—	739
Operating Income	$ 313	$ 88	401	$ 166	$ 41	207
Transfers to rate stabilization account (note 2)			(181)			—
Net Income			$ 220			$ 207

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

for the years ended March 31 (in millions)

	1992	1991
Balance at beginning of year	$ 762	$ 700
Net income	220	207
	982	907
Less: Accrual for cumulative obligation on preferred funds (notes 6 and 12)	23	—
Distributions to the Province (notes 6 and 12)	—	145
	23	145
Balance at end of year	$ 959	$ 762

CONSOLIDATED BALANCE SHEETS

as at March 31 (in millions)

	1992	1991
ASSETS		
Capital Assets (note 7)		
Capital assets in service	$ 11,319	$ 11,026
Less accumulated depreciation	3,129	2,935
	8,190	8,091
Unfinished construction	519	346
	8,709	8,437
Current Assets		
Temporary investments	131	132
Accounts receivable and unbilled revenues	261	337
Materials and supplies	67	72
Prepaid expenses	68	58
Property held for sale	13	15
	540	614
Deferred Charges and Other Assets		
Loans receivable (note 8)	122	65
Demand Side Management programs	108	60
Foreign currency translation	71	43
Debt discount and issue costs	58	47
Deferred energy costs	—	9
	359	224
	$ 9,608	$ 9,275
LIABILITIES AND EQUITY		
Long-Term Debt (note 9)	$ 6,886	$ 6,858
Current Liabilities		
Accounts payable	299	215
Accrued interest	204	262
Distributions payable to the Province	—	145
	503	622
Deferred Credits and Other Liabilities		
Future removal and site restoration costs	26	18
Rate stabilization account (note 2)	181	—
Deferred revenue	80	62
Contributions arising from the Columbia River Treaty	304	313
Contributions in aid of construction	434	405
	1,025	798
Preferred Funding (notes 6 and 12)	235	235
Retained Earnings	959	762
	$ 9,608	$ 9,275

Certain 1991 figures have been reclassified to conform with the presentation used for 1992.

Approved on Behalf of the Board:

J. Norman Olsen
Chairman and Chief Executive Officer

Harbans S. Dhaliwal
Vice-Chairman

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the years ended March 31 (in millions)

	1992	1991
OPERATING ACTIVITIES		
Operating income	$ 401	$ 207
Depreciation and amortization	266	238
Other non-cash items	13	15
	680	460
Working capital changes	(72)	(125)
Funds provided by operating activities	608	335
INVESTING ACTIVITIES		
Capital asset expenditures	(550)	(373)
Contributions in aid of construction	51	52
Net proceeds from property sales	23	18
Loans receivable	(57)	(65)
Demand Side Management programs	(57)	(46)
Funds used for investing activities	(590)	(414)
FINANCING ACTIVITIES		
Bonds, notes and debentures		
- issued	1,165	728
- retired	(773)	(344)
Revolving borrowings	(733)	268
Sinking fund changes	93	(254)
Repurchased debt	4	(324)
Term debenture repayment	225	75
Funds (used for) provided by financing activities	(19)	149
DISTRIBUTIONS TO THE PROVINCE	—	(145)
DECREASE IN FUNDS	(1)	(75)
FUNDS AT BEGINNING OF YEAR	132	207
FUNDS AT END OF YEAR	$ 131	$ 132

Funds at beginning and end of year consist of temporary investments.

Certain 1991 figures have been reclassified to conform with the presentation used for 1992.

Note 1: SIGNIFICANT ACCOUNTING POLICIES

British Columbia Hydro and Power Authority ("B.C. Hydro") is a Crown corporation of the Province of British Columbia (the "Province"). B.C. Hydro is regulated by the British Columbia Utilities Commission (the "Commission"). The accounting policies of B.C. Hydro conform to accounting principles generally accepted in Canada. A description of the significant accounting policies follows. See also Note 2 regarding Regulation.

CONSOLIDATION

The consolidated financial statements include the financial statements of B.C. Hydro and all of its subsidiary companies. Principal subsidiaries of B.C. Hydro, all of which are wholly-owned, are Powertech Labs Inc., Western Integrated Technologies Inc., British Columbia Power Exchange Corporation, British Columbia Hydro International Limited, Power Smart Inc. and Columbia Estate Company, Limited. B.C. Hydro also has a 50% interest in Power Serv Pacific Inc. which is accounted for by the equity method.

REVENUES

Domestic revenues represent sales of energy to customers within the Province and sales of firm energy to those outside the Province (mainly Seattle and Point Roberts, Washington and Hyder, Alaska) with whom B.C. Hydro has long-term commitments. Electricity trade revenues are derived from energy sales other than those classified as domestic.

Customers are billed on a cyclical basis for energy deliveries with unbilled deliveries being accrued and included in revenues.

PENSION COSTS

The current service cost of pension benefits for the year, determined on an actuarial basis in accordance with the terms of the pension plan agreement, are included in pension expense. Pension expense also includes amortization of the cost of past service benefits and plan enhancements, experience gains and losses, and the initial net pension surplus existing in 1987 when the current accounting policy for pension costs was introduced. The amortization is on a straight-line basis over the expected average remaining service life of pension plan members. Pension fund investments are valued at market-related values.

TAXES

Taxes include grants in lieu of property taxes and school taxes.

DEPRECIATION

Depreciation is provided on all depreciable assets in service as at the beginning of each year based on the average service life of the assets and is generally computed using the straight-line method.

CAPITAL ASSETS

Capital assets in service consist principally of land, water rights, storage dams and plant for the generation, transmission and distribution of electricity, and include the cost of plant financed by contributions in aid of construction and contributions arising from the Columbia River Treaty.

Capital assets are carried at cost which includes materials, direct labor and appropriate portions of engineering, administration and finance charges.

The costs of any capital development studies which are deferred for more than one year are amortized on a straight-line basis at 20% per annum during the deferral period. Capital projects which are deferred, but for which there is a reasonable probability of proceeding, have a provision made for any reduction in the value of project costs. The costs of capital development studies and capital projects which are abandoned or subject to indefinite postponement are written off, except where it is management's intention to recover the costs through future revenues, in which case the costs are amortized on a straight-line basis over the expected period of recovery.

FINANCE CHARGES CAPITALIZED

B.C. Hydro capitalizes finance charges at rates equivalent to the cost of borrowing those funds expended on construction projects during each year of construction.

TEMPORARY INVESTMENTS

Temporary investments are valued at the lower of cost and market value.

MATERIALS AND SUPPLIES

Materials and supplies are valued at average cost, less provisions for decline in value.

PROPERTY HELD FOR SALE

Property held for sale is valued at the lower of cost and estimated net realizable value.

DEMAND SIDE MANAGEMENT PROGRAMS

Expenditures on Demand Side Management programs, which comprise Power Smart programs and other incentive programs, include materials, direct labor and applicable portions of administration charges, equipment costs, program advertising and incentives.

Expenditures on Power Smart programs for energy conservation are deferred and amortized on a straight-line basis over seven years, except for certain initial costs which are expensed as incurred. These initial costs are incurred to determine the ultimate feasibility of the project.

Incentives provided to assist in the construction of facilities for the production of energy by third parties are deferred and amortized on a straight-line basis over the period that benefits are received from the operation of the facilities.

FOREIGN CURRENCY TRANSLATION

Long-term debt, sinking funds, current assets and current liabilities which are denominated in a foreign currency and are not hedged are translated into Canadian currency at the rate of exchange prevailing at the balance sheet date. U. S. currency liabilities which are hedged are converted at the rate established by the terms of the hedge instrument.

Unrealized gains and losses arising from the translation of long-term debt and sinking funds are deferred and amortized over the remaining term of the debt. The annual amortization is determined on a sum-of-the-years'-digits method, except that for the last four years the unamortized balance is written off on a straight-line basis. Foreign exchange gains and losses on current assets and current liabilities are included in income.

DEBT DISCOUNT AND ISSUE COSTS

Discount and issue costs on bonds, notes and debentures are amortized on a straight-line basis over the term of the respective debt.

DEFERRED ENERGY COSTS

Energy generation and purchase requirements are determined based on long-term system supply and demand projections. In any year, water flow conditions and weather patterns may result in the acquisition of energy to meet energy requirements. The cost of purchased energy as well as variable water rentals relating to energy sold through electricity trade is recorded in the deferred cost of energy account and charged to electricity trade based on volumes sold. Energy acquired for the non-integrated system is charged to energy costs as incurred.

FUTURE REMOVAL AND SITE RESTORATION COSTS

Future removal and site restoration costs are the costs of future removal and site restoration, less any residual or salvage value, arising on the retirement of capital assets. Annual provisions for these costs are charged to depreciation expense on a straight-line basis over the remaining service lives of the related capital assets. These costs are revised periodically in accordance with changes in the assumptions and estimates underlying the calculations, and with experience arising from the decommissioning of capital assets.

DEFERRED REVENUE

Deferred revenue consists principally of amounts received under the Skagit River Agreements. These amounts are deferred and included in income on an annuity basis over the energy delivery period ending in fiscal 2066.

CONTRIBUTIONS

Contributions in aid of construction are amounts received from certain customers toward the costs of the extension of services. These amounts are amortized over the estimated service lives of the related assets at an amount equal to the corresponding annual provision for depreciation. Contributions received in respect of unfinished construction are amortized once the assets are placed in service.

Contributions arising from the Columbia River Treaty are amortized over the period ending in fiscal 2025, the minimum term of the Treaty, at an amount equal to the corresponding annual provision for depreciation of the related assets.

Note 2: REGULATION

Revenues include approved rate increases of 1.5% effective April 1, 1990 and 1.5% effective April 1, 1991. In addition, a rate increase averaging 1.64% was implemented effective January 1, 1992 to recover an increase in water rental fees.

On April 30, 1990, the Commission directed B.C. Hydro to create a rate stabilization account, effective April 1, 1990, derived from all net income in excess of an interest coverage ratio of 1.3:1. The interest coverage ratio is calculated as the sum of domestic income before finance charges, net electricity trade income and rate stabilization account transfers, divided by the sum of finance charges and interest during construction.

For fiscal 1992, a transfer of $181 million was made to the rate stabilization account to bring the ratio to 1.3:1.

Note 3: COST OF ENERGY

	1992			1991		
	DOMESTIC	ELECTRICITY TRADE	TOTAL	DOMESTIC	ELECTRICITY TRADE	TOTAL
Water rentals	$ 211	$ —	$ 211	$ 199	$ —	$ 199
Other energy costs	12	82	94	32	42	74
Fuel for generation	11	—	11	10	—	10
Transmission charges	1	—	1	1	12	13
	$ 235	$ 82	$ 317	$ 242	$ 54	$ 296

Water rentals are amounts levied by the Province on the use of water in hydroelectric generation. Fuel for generation represents the cost of diesel fuel and other energy acquired for those generation plants not included in the integrated system. Other energy costs include the operating costs of the Burrard Thermal generating plant. In addition, the cost of purchased energy and the variable water rentals relating to energy sold through electricity trade, which have been recorded as deferred energy costs, are charged to other energy costs for electricity trade based on volumes sold. Any residual balance of deferred energy costs is amortized to domestic other energy costs over twelve months. Transmission charges are paid to other utilities for the use of their transmission lines.

Note 4: DEPRECIATION AND AMORTIZATION

	1992	1991
Depreciation of capital assets in service	$ 216	$ 199
Amortization of project costs	18	15
Provision for future removal and site restoration costs	13	13
Amortization of Demand Side Management programs	9	2
	$ 256	$ 229

Note 5: FINANCE CHARGES

	1992	1991
Interest on bonds, notes and debentures	$ 824	$ 778
Interest on revolving borrowings	106	185
Amortization of deferred charges:		
Foreign exchange gains and losses	2	—
Debt discount and issue costs	5	4
Other	5	13
	942	980
Less income from:		
Interest on sinking funds	146	135
Gains on sinking fund reinvestments	59	3
Temporary investments	55	57
Gain on extinguishment of debt	31	4
Term debenture	8	28
	299	227
	643	753
Less finance charges capitalized	26	14
	$ 617	$ 739

The effective rate for finance charges capitalized to unfinished construction for fiscal 1992 was 11.0% (1991 - 12.0%).

Note 6: PREFERRED FUNDING AND DISTRIBUTIONS TO THE PROVINCE

In fiscal 1989, the Province provided $235 million of term cumulative preferred funding to B.C. Hydro. The preferred funding will be redeemed in full by July 31, 1992 (see Note 12). The Province is entitled to an annual payment that approximates market borrowing rates on the preferred funding. This payment, which is cumulative, may be deferred in any year by the Board of Directors.

Under an Order in Council (the "Order") dated October 5, 1989, B.C. Hydro is required to make an annual total distribution to the Province. This distribution is to be confirmed, on or before June 30 following each fiscal year-end, by the Board of Directors of B.C. Hydro and is to be determined, for fiscal years subsequent to the year ending March 31, 1990, as follows:

(a) The distribution will be nil when debt as a percentage of debt plus equity ("debt/equity ratio") is greater than 80%;

(b) The distribution will be equal to 75% of distributable surplus, as defined under the Order, when the debt/equity ratio is between 75% and 80%;

(c) The distribution will be equal to 90% of distributable surplus when the debt/equity ratio is less than 75%.

Equity is defined in the Order as deferred credits, preferred funding and retained earnings less the distributions paid or payable to the Province. Debt is defined as revolving borrowings, bonds, notes and debentures net of related sinking funds, temporary investments, repurchased debt and a term debenture receivable. Distributable surplus is defined as consolidated net income adjusted for finance charges capitalized.

The total distribution, as determined above, is to be comprised of a payment on the preferred funding, to the extent it is declared, and a general payment, representing the balance, out of distributable surplus.

Note 7: CAPITAL ASSETS

	As at March 31, 1992						As at March 31, 1991	
	Capital Assets in Service			Unfinished Construction*	Total Net Book Value	Composite Depreciation Rate	Total Net Book Value	Composite Depreciation Rate
	Original Cost	Accumulated Depreciation	Net Book Value					
Generation	$ 5,107	$1,121	$ 3,986	$ 125	$ 4,111	1.55%	$ 4,136	1.56%
Transmission	2,383	664	1,719	24	1,743	2.14	1,755	2.21
Transformation	1,403	469	934	16	950	2.88	936	2.92
Distribution	1,827	616	1,211	121	1,332	2.47	1,217	2.43
Buildings, furniture and equipment	445	201	244	232	476	7.53	317	7.65
Other properties	44	10	34	—	34	1.14	21	2.00
Service vehicles	70	42	28	—	28	9.24	20	8.04
Research and development	40	6	34	1	35	3.20	35	3.13
Total	$11,319	$3,129	$8,190	$ 519	$ 8,709		$ 8,437	

* *Unfinished construction includes $44 million (1991 - $69 million) of unamortized costs relating to the Site C, Keenleyside and Murphy Creek projects.*

Note 8: LOANS RECEIVABLE

B.C. Hydro has provided an interest-free loan of $114 million to a customer to assist in the construction of an electrical generating facility. The date of repayment of the loan is contingent upon the timing of the advances made under the loan agreement and is expected to occur within the next four years. The loan is secured by a charge on the facility and related land.

The cost to B.C. Hydro of providing the interest-free loan has been deferred and will be amortized on a straight-line basis over a 25 year period from the commencement of the operation of the facility.

During fiscal 1992, B.C. Hydro sold its subsidiary Westech Information Systems Inc. (Westech). As part of the sale B.C. Hydro provided a loan to Westech of $8 million. The loan is secured and bears interest at 10.5% per annum for a term of 10 years. Required payments for the first three years of the term are for interest only and for the final seven years are for blended payments of principal and interest.

Note 9: LONG-TERM DEBT

	As at March 31, 1992					As at March 31, 1991				
	U.S.	(*%)	CDN.	(*%)	TOTAL	U.S.	(*%)	CDN.	(*%)	TOTAL
Maturing in:										
1992	$ —		$ —		$ —	$ 87	(5.8)	$ 259	(7.4)	$ 346
1993	248	(13.0)	174	(6.8)	422	245	(13.0)	174	(7.2)	419
1994	—		916	(11.0)	916	—		916	(11.0)	916
1995	—		257	(9.0)	257	—		324	(9.0)	324
1996	—		67	(8.8)	67	—		87	(8.4)	87
1997	—		50	(8.5)	50	—		—		—
1 - 5 years	248	(13.0)	1,464	(10.0)	1,712	332	(11.0)	1,760	(9.6)	2,092
6 - 10 years	—		1,300	(9.6)	1,300	—		831	(9.6)	831
11 - 15 years	399	(4.3)	1,565	(10.7)	1,964	181	(6.3)	1,501	(10.4)	1,682
16 - 20 years	1,183	(14.0)	377	(11.3)	1,560	439	(8.5)	441	(12.2)	880
21 - 25 years	531	(12.5)	—		531	1,450	(14.3)	—		1,450
26 - 30 years	—		600	(10.6)	600	—		300	(10.6)	300
Bonds, notes and debentures	2,361 *($U.S. 1,985)*	(11.9)	5,306	(10.3)	7,667	2,402 *($U.S. 2,055)*	(12.2)	4,833	(10.1)	7,235
Less:										
Sinking funds	413 *($U.S. 347)*		942		1,355	408 *($U.S. 352)*		1,040		1,448
Term debenture	—		—		—	—		225		225
Repurchased debt	461 *($U.S. 395)*		—		461	472 *($U.S. 405)*		—		472
Net bonds, notes and debentures	1,487 *($U.S. 1,243)*		4,364		5,851	1,522 *($U.S. 1,298)*		3,568		5,090
Revolving borrowings	—		1,035		1,035	—		1,768		1,768
Long-term debt	$ 1,487		$ 5,399		$6,886	$1,522		$ 5,336		$ 6,858

* *Weighted average coupon rate*

B.C. Hydro's long-term debt comprises bonds, notes and debentures, almost all of which have annual sinking fund requirements, and revolving borrowings obtained under a borrowing agreement with the Province. Long-term debt is presented net of sinking funds, a term debenture receivable which was committed to debt repayments and debt repurchased from the market. Repurchased debt includes related premiums or discounts. The March 31, 1992 foreign exchange rate used by B.C. Hydro was 84.04 U.S. cents per Canadian dollar (1991 - 86.30 U.S. cents).

During the year ended March 31, 1992, B.C. Hydro issued the following bonds and debentures:

COUPON RATE%	EFFECTIVE RATE%	SERIES	ISSUE DATE	MATURITY DATE	PRINCIPAL
10.60	10.72	HM	September 5, 1991	September 5, 2020	$ 300
9.85	10.09	HO	May 1, 1991	May 1, 1998	50
9.75	9.94	HP	May 15, 1991	May 15, 2001	300
9.00	9.20	HQ	January 9, 1992	January 9, 2002	250
9.50	9.46	HR	February 5, 1992	January 9, 2012	50
Floating	Floating	HS	March 20, 1992	December 1, 2006	215 *($U.S. 180)*
					$1,165

Bonds and debentures in the principal amount of Cdn. $259 million and U.S. $75 million matured during fiscal 1992. During fiscal 1992, virtually all of the warrants from the Series HM debt issue were exercised. Each warrant entitled the holder to purchase $1,000 of new HM series bonds anytime before September 5, 1991 at the same terms as the original issue.

GUARANTEE BY THE PROVINCE OF BRITISH COLUMBIA

B.C. Hydro's outstanding debt is either held or guaranteed as to principal, interest and premium, if any, by the Province.

SINKING FUNDS FOR BONDS, NOTES AND DEBENTURES

Sinking funds are held by the Trustee, the Minister of Finance and Corporate Relations for the Province. Sinking fund income is recorded as a reduction of finance charges.

	1992	1991
Sinking funds at beginning of year	$1,448	$1,194
Instalments	78	156
Interest income	146	135
Gain on reinvestments	59	3
	283	294
Less:		
Debt repayments	(152)	(32)
Debt extinguishment and cancellation	(190)	—
Surpluses recovered	(32)	—
Foreign exchange adjustments	(2)	(8)
Net change in sinking funds	(93)	254
Sinking funds at end of year	$1,355	$1,448

TERM DEBENTURE

A term debenture, bearing interest at 10.75% per annum payable semi-annually, was issued to B.C. Hydro by BC Gas Inc. in part settlement of the sale of the Mainland Gas Service in fiscal 1989. B.C. Hydro entered into a trust arrangement with the Province whereby the interest and principal payments from BC Gas Inc. were applied against B.C. Hydro's general indebtedness to the Province. During fiscal 1992, the term debenture was repaid by BC Gas Inc.

REPURCHASED DEBT

Repurchased debt comprises B.C. Hydro bonds, notes and debentures purchased from the market but not cancelled or otherwise extinguished.

REVOLVING BORROWINGS

Funds obtained under a borrowing agreement with the Province will be repaid either from the issue of bonds, notes or debentures or from further revolving borrowings which will be extended beyond the next fiscal year. They have, therefore, been classified as long-term debt. The borrowings under the agreement are unsecured, have an authorization limit of $2.0 billion and bear interest at prevailing money market rates. At March 31, 1992 these funds had a weighted average term to maturity of 105 days (1991 - 212 days) at a weighted average cost of 7.4% (1991 - 11.0%).

DEBT MANAGEMENT PROGRAM

During fiscal 1992, B.C. Hydro placed sufficient government guaranteed securities into an irrevocable trust to satisfy the scheduled interest and bond principal repayment requirements of Cdn. $104 million. In addition, during 1992 B.C. Hydro purchased and cancelled Cdn. $70 million of bonds and a further Cdn. $44 million and U.S. $175 million were redeemed under the terms of early call provisions. The accounting gain of $31 million arising from these transactions has been included in finance charges.

During fiscal 1991, B.C. Hydro redeemed U.S. $150 million of bonds under the terms of an early call provision. The accounting gain of $4 million arising from this transaction was included in finance charges.

EXTINGUISHED DEBT

As at March 31, 1992, a total of Cdn. $567 million (1991 - Cdn. $486 million) of debt comprising Cdn. $264 million and U.S. $252 million, together with related securities used to extinguish the debt, has been removed from B.C. Hydro's consolidated balance sheet and is considered extinguished for financial reporting purposes.

CASH REQUIREMENTS

Total maturity payments and sinking fund instalments on bonds, notes and debentures outstanding as at March 31, 1992, by year of payment, are disclosed in the following table. U.S. cash requirements are shown in U.S. dollars. As at March 31, 1992, there were 99 Canadian dollar (1991 - 108) and 10 U.S. dollar (1991 - 12) bond, note or debenture issues outstanding.

	SINKING FUNDS		NET DEBT MATURITIES*		TOTAL	
	U.S.	CDN.	U.S.	CDN.	U.S.	CDN.
1993	$ 15	$ 48	$ 91	$ 102	$ 106	$ 150
1994	16	47	—	859	16	906
1995	15	45	—	202	15	247
1996	16	44	—	4	16	48
1997	16	43	—	48	16	91
1993 - 1997	78	227	91	1,215	169	1,442
1998 - 2002	78	171	—	281	78	452
2003 - 2007	74	60	23	—	97	60
2008 - 2012	62	22	168	86	230	108
2013 - 2017	9	15	114	—	123	15
2018 - 2022	—	8	—	211	—	219
	$ 301	$ 503	$ 396	$ 1,793	$ 697	$ 2,296

** Net debt maturities are determined after deducting sinking funds, including income thereon, estimated to be available at maturity. The estimated sinking fund income to maturity is based on assumed earnings of 9% on existing and future Canadian dollar sinking fund investments and 7.5% for U.S. dollar sinking fund investments.*

None of the above cash requirements are considered current as at March 31, 1992 as management intends to finance the payments from the issue of bonds, notes or debentures or from further revolving borrowings which will be extended beyond the next fiscal year.

HEDGED U.S. DOLLAR DEBT

As at March 31, 1992, U.S. $312 million (1991 - U.S. $312 million) of debt was hedged with forward foreign exchange contracts and currency swaps. A further U.S. $681 million (1991 - U.S. $703 million) of debt was hedged by the holding of U.S. dollar denominated securities in sinking funds and repurchased debt. As a result of these transactions, as at March 31, 1992 B.C. Hydro had a net foreign currency exposure in U.S. dollar debt of U.S. $992 million (1991 - U.S. $1,040 million).

REDEMPTION PROVISIONS

Certain B.C. Hydro debt held by the Canada Pension Plan Investment Fund and by the Minister of Finance and Corporate Relations for the Province contains provisions allowing holders to redeem the debt prior to maturity, in whole or in part, subject to certain restrictions. At March 31, 1992, this debt amounted to $529 million (1991 - $747 million) net of related sinking funds.

Note 10: PENSION PLAN

Employees of B.C. Hydro contribute to a jointly-funded pension plan which provides a defined benefit pension based on years of membership service and highest five-year average pensionable earnings. A portion of the required contributions under the plan is applied to provide for annual cost-of-living increases (indexing) to pension recipients. B.C. Hydro contributes amounts as prescribed by the actuary in respect of basic contributions and matches the employees' indexing contributions such that the funding matches the current service cost of the pension plan.

Annual actuarial valuations are obtained to estimate the present value of the plan liability for pension benefits accrued to the date of the valuation. These actuarial liabilities are compared with the market-related value of the pension plan assets to determine whether a net pension surplus or deficit exists. Based upon an extrapolation from actuarial valuation results as at December 31, 1990, the estimated present value of accrued pension benefits was $924 million as at March 31, 1992 and the pension plan assets available for these benefits at that date amounted to $956 million, resulting in a surplus of $32 million.

Note 11: COMMITMENTS

B.C. Hydro has entered into contracts to purchase energy from Independent Power Producers for up to 4 per cent of its annual energy requirements. The approximate minimum obligations to purchase energy under these contracts have a total net present value of $903 million with actual payments as follows: 1993 - $16, 1994 - $107, 1995 - $113, 1996 - $114, 1997 - $116, and 1998 to 2016 - $2,300 million.

Note 12: SUBSEQUENT EVENT

Under an Order in Council (the "OIC") dated June 25, 1992, a previous Order (referred to in Note 6) dated October 5, 1989 was amended such that B.C. Hydro was not required to make a payment to the Province for the year ended March 31, 1992 in order to allow B.C. Hydro sufficient Retained Earnings to redeem in full the Preferred Funding by July 31, 1992 (see Note 6).

FINANCIAL STATISTICS[1]

for the years ended or as at March 31

(dollar amounts in millions)	1992	1991
Revenues	$ 2,072	$ 1,909
Cost of energy	317	296
Gross Margin	1,755	1,613
Expenses		
Operations, maintenance and administration	373	339
Taxes	108	99
Depreciation and amortization	256	229
Finance charges	617	739
	1,354	1,406
Operating Income (Loss)	401	207
Net rate stabilization transfers	(181)	
Other income[2]		
Extraordinary items		
Net Income (Loss)	$ 220	$ 207
Operating Income (Loss) by Source		
Domestic	$ 313	$ 166
Electricity trade	88	41
Operating Income (Loss)	$ 401	$ 207
Capital Assets		
At cost	$ 11,838	$ 11,372
Less: Accumulated depreciation	3,129	2,935
	$ 8,709	$ 8,437
Capital asset expenditures	$ 550	$ 373
Less: Contributions in aid of construction	51	52
Net capital asset expenditures	$ 499	$ 321
Long-Term Debt	$ 6,886	$ 6,858
Employees		
Regular	4 834	5 006
Temporary	1 214	1 064
	6 048	6 070

1 The Gas and Rail businesses were sold in 1989. Statistics related to these businesses have been excluded.

2 The gain in 1990 is the sale of the Head Office building.

1990	1989	1988	1987	1986	1985	1984	1983
$ 1,821	$ 1,769	$ 1,718	$ 1,579	$ 1,647	$ 1,513	$ 1,230	$ 1,174
303	264	274	229	257	211	172	170
1,518	1,505	1,444	1,350	1,390	1,302	1,058	1,004
350	269	258	226	243	270	230	223
102	80	74	119	100	117	108	103
202	217	211	207	191	208	216	159
768	872	827	854	874	739	480	442
1,422	1,438	1,370	1,406	1,408	1,334	1,034	927
96	67	74	(56)	(18)	(32)	24	77
23	15	(38)	107	(9)	(8)	14	(19)
41			(42)				(77)
$ 160	$ 82	$ 36	$ 9	$ (22)	$ (40)	$ 38	$ (19)
$ 55	$ 10	$ (36)	$ (112)	$ (200)	$ (171)	$ (39)	$ (2)
41	57	110	56	182	139	63	79
$ 96	$ 67	$ 74	$ (56)	$ (18)	$ (32)	$ 24	$ 77
$ 11,037	$ 10,730	$ 10,402	$ 10,310	$ 10,117	$ 9,625	$ 7,465	$ 7,019
2,714	2,514	2,292	2,087	1,904	1,703	1,549	1,400
$ 8,323	$ 8,216	$ 8,110	$ 8,223	$ 8,213	$ 7,922	$ 5,916	$ 5,619
$ 346	$ 210	$ 163	$ 157	$ 195	$ 443	$ 782	$ 999
40	25	30	27	34	31	30	65
$ 306	$ 185	$ 133	$ 130	$ 161	$ 412	$ 752	$ 934
$ 6,727	$ 6,774	$ 7,682	$ 8,021	$ 8,490	$ 8,569	$ 7,576	$ 7,064
4 904	4 510	4 851	5 003	5 179	5 729	6 643	7 067
857	677	527	378	323	358	420	420
5 761	5 187	5 378	5 381	5 502	6 087	7 063	7 487

	1992	1991
Generating Nameplate Capacity*		
(megawatts)		
Hydroelectric	9 332	9 332
Thermal	1 127	1 134
Total	10 459	10 466
Peak One-Hour Demand Integrated System		
(megawatts)	7 458	8 122
Customers		
Residential	1 164 649	1 137 625
General	156 746	149 120
Transmission	87	88
Other	2 750	2 734
Electricity trade	25	23
Total	1 324 257	1 289 590
Electricity Sold *(gigawatt-hours)*		
Residential	11 757	11 370
General	13 403	13 065
Transmission	14 269	14 879
Other	1 133	1 197
Domestic	40 562	40 511
Electricity trade	6 969	3 480
Total	47 531	43 991
Domestic change over previous year (%)	0.1	3.8
Electric Revenues *(in millions)*		
Residential	$ 677	$ 642
General	667	637
Transmission	445	448
Other	60	57
Rents and miscellaneous	53	30
Domestic	1,902	1,814
Electricity trade	170	95
Total	$ 2,072	$ 1,909
Average Revenue *(cents per kilowatt-hour)*		
Residential	5.8	5.6
General	5.0	4.9
Transmission	3.1	3.0
Other	5.3	4.8
Electricity trade	2.4	2.7
Average Annual Kilowatt-Hour Use per Residential Customer	10 190	10 089
Lines in Service		
Distribution *(kilometres)*	51 391	51 100
Transmission *(circuit kilometres)*	17 458	17 589

*Rated capacity has been exceeded on occasion.

1990	1989	1988	1987	1986	1985	1984	1983
9 332	9 332	9 332	9 332	9 332	9 332	7 489	7 491
1 135	1 135	1 141	1 149	1 151	1 171	1 271	1 341
10 467	10 467	10 473	10 481	10 483	10 503	8 760	8 832
7 373	7 485	6 830	6 345	6 816	6 193	6 215	5 508
1 111 143	1 084 569	1 062 213	1 041 784	1 023 468	1 005 533	987 659	967 754
150 601	146 270	142 707	139 936	137 051	134 018	133 652	132 383
87	85	80	81	72	67	70	65
2 705	2 688	2 527	2 445	2 353	2 265	2 336	2 227
21	20	23	20	21	22	16	13
1 264 557	1 233 632	1 207 550	1 184 266	1 162 965	1 141 905	1 123 733	1 102 442
10 880	10 802	9 986	9 779	9 649	9 667	9 067	8 790
12 661	12 377	11 695	11 137	10 770	10 285	9 957	9 736
14 463	13 606	13 412	12 582	11 681	10 957	9 240	9 040
1 026	1 048	996	919	757	593	805	1 074
39 030	37 833	36 089	34 417	32 857	31 502	29 069	28 640
3 713	4 884	9 481	4 665	9 407	6 378	2 834	3 623
42 743	42 717	45 570	39 082	42 264	37 880	31 903	32 263
3.2	4.8	4.9	4.7	4.3	8.4	1.3	(1.1)
$ 598	$ 588	$ 548	$ 539	$ 517	$ 509	$ 448	$ 410
599	579	547	524	498	469	425	389
420	397	373	348	322	307	239	228
51	50	48	46	37	28	31	34
38	46	18	29	21	18	12	14
1,706	1,660	1,534	1,486	1,395	1,331	1,155	1,075
115	109	184	93	252	182	75	97
$ 1,821	$ 1,769	$ 1,718	$ 1,579	$ 1,647	$ 1,513	$ 1,230	$ 1,172
5.5	5.4	5.5	5.5	5.4	5.3	4.9	4.7
4.7	4.7	4.7	4.7	4.6	4.6	4.3	4.0
2.9	2.9	2.8	2.8	2.8	2.8	2.6	2.5
5.0	4.8	4.9	5.1	4.9	4.8	3.8	3.1
3.1	2.2	1.9	2.0	2.7	2.9	2.7	2.7
9 889	9 738	9 470	9 457	9 485	9 670	9 274	9 198
49 761	48 640	47 754	47 178	46 533	45 795	44 737	42 231
17 502	17 130	17 056	17 056	17 197	16 996	16 701	16 543

	Generating Nameplate Capacity (Megawatts)	1992 Gigawatt hours	1992 %	1991 Gigawatt hours	1991 %
Requirements					
Domestic	10 459	40 562	78.1	40 511	83.2
Electricity trade		6 969	13.4	3 480	7.2
		47 531	91.5	43 991	90.4
Line loss and system use		4 387	8.5	4 687	9.6
		51 918	100.0	48 678	100.0
Sources of supply					
Hydroelectric generation					
Gordon M. Shrum	2 416	13 076	25.2	12 192	25.0
Revelstoke	1 843	9 328	18.0	8 345	17.1
Mica	1 736	8 715	16.8	7 719	15.9
Kootenay Canal	529	3 478	6.7	3 819	7.8
Bridge River	428	3 282	6.3	2 341	4.8
Peace Canyon	700	3 249	6.3	3 095	6.4
Seven Mile	608	3 172	6.1	3 528	7.3
Other	1 072	4 796	9.2	4 990	10.3
Thermal generation					
Burrard	912	722	1.4	1 088	2.2
Other	215	105	0.2	136	0.3
Purchases and other transactions		1 995	3.8	1 425	2.9
	10 459	51 918	100.0	48 678	100.0

Board of Directors *

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(Richmond)

AEH Marjorie Griffin Cohen
(Vancouver)

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(Revelstoke)

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(Vancouver)

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(Castlegar)

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(Burns Lake)

BCEF Patrice Pratt
(Burnaby)

ADG Angela Schira
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GH Douglas (Doug) Thompson
(Victoria)

AH Judy Urban
(Cranbrook)

CEF George Watts
(Port Alberni)

BD Sharon Manson Willms
(Vancouver)

Committees of the Board of Directors

A Audit and Budget

B Executive

C Environmental

D Corporate Donations

E Human Resources

F Native Affairs

G Properties

H Pension, Investment and Liability Management

* Appointed May 15, 1992.

** Appointed Chairman and Chief Executive Officer, June 25, 1992.

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Chairman and Chief Executive Officer

Raymond H. Hunt
President and Chief Operating Officer

Darlene M. Barnett
General Counsel and
Corporate Secretary

Myra E.M. Watson
Associate Corporate Secretary

Gary M. Salmon
Chief Engineer

John P. Sheehan
Chief Financial Officer

David A. Harrison
Comptroller

John N. Shaw
Treasurer

Vice-Presidents

John P. Sheehan
Senior Vice-President

Darlene M. Barnett
Legal Services

H.D. Ken Epp
Resource Management

Veikko Kammonen
Power Smart

P. Donald Swoboda
Production

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Customer Services

R. Blair Trousdell
Human Resources